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J. C. Cox Utilities, Inc.
***Application for approval of new schedule
of rates and charges for sewerage service
provided to its customers in Anderson
County, South Carolina***

Docket No. 2003-277-S

***Direct Testimony
William O. Richardson
Utilities Department***

Public Service Commission of South Carolina

RETURN DATE: OK [Signature]
SERVICE: OK [Signature]

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

2 A. William O. Richardson, 101 Executive Center Drive, Columbia, South Carolina
3 29210. I am employed by the Public Service Commission of South Carolina,
4 Utilities Department, as Chief of the Water and Wastewater Area.

5 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
6 **EXPERIENCE.**

7 A. I received a Bachelor of Science Degree in Electrical and Computer Engineering
8 from Clemson University in 1975. After graduation I was employed by Daniel
9 Construction Company as an Electrical Engineer in the Power Division. In
10 1978 I was employed by this Commission as an Engineer Associate II. In
11 December 2002 I was promoted to Chief of the Water and Wastewater area.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my testimony is to set forth, in summary form, the Staff's
15 findings relative to the determination of the amount of additional operating
16 revenues that would result from the implementation of the proposed
17 schedules of rates and charges.

18
19 **The Utilities Department Staff has filed its testimony and exhibits**
20 **based on the Company's application. Staff does not have**
21 **supporting documents to verify the \$500,000 cost to close out the**
22 **lagoon and upgrade or build a new Waste Water Treatment Facility**
23 **(WWTF). Staff also does not have copies of the contracts with the**
24 **Town of Williamston (which will charge J. C. Cox Utilities, Inc.**
25 **\$700.00 per month treatment charges) or Anderson County (which**
26 **will charge J. C. Cox Utilities, Inc. \$4,128 annually to use 19,200**
27 **gpd of the County's capacity in the Williamston WWTF).**

28
29 **Q. I SHOW YOU THE REPORT, TITLED, "COMMISSION STAFF REPORT,**
30 **J. C. COX UTILITIES, INC., SOUTH CAROLINA PUBLIC SERVICE**

**COMMISSION, DOCKET NO. 2003-277-S." ARE THE FINDINGS OF
YOUR REVIEW CONTAINED IN THIS REPORT?**

A. Yes, they are contained under the Utilities Department tab.

**Q. PLEASE EXPLAIN HOW YOU COMPILED THE INFORMATION IN YOUR
REPORT.**

A. By using the information provided by the Company in its Application, Staff was able to determine the amount of additional operating revenues which would be produced by the proposed rates.

Q. PLEASE EXPLAIN EXHIBIT NO. 1 OF YOUR REPORT.

A. Exhibit No. 1, page 1, is a summary of the currently approved rates and the proposed rates. The Company in its application is proposing two alternatives. The first alternative is to close the lagoon, build a lift station and connect to the Town of Williamston. The monthly requested rate is \$82.82. Williamston has repeatedly refused to provide treatment services for the customers of J. C. Cox. Should Williamston maintain its refusal to allow the Company to connect to its WWTF, the Company is requesting that the monthly rate of \$82.82 be approved to operate the existing system. The second alternative is to (upgrade) construct a new WWTF. Based on the estimated cost to close the lagoon and build a new WWTF, the rates sufficient to offset these costs would require \$223.04 per month per customer.

Q. PLEASE EXPLAIN EXHIBIT NO. 2 OF YOUR REPORT.

A. Exhibit No. 2, on page 2 of the report summarizes the effect of the present and proposed rates on the Company's operating revenue. Under the present rates approved for the Company, the present revenue annualized is \$5,881. Using the proposed rates, \$82.82 per month, for the first alternative, which is to connect to the Town of Williamston or to operate the existing system, the Company would receive \$32,797, resulting in an increase of \$26,916 or an increase of 457.68%. Using the proposed rates, \$223.04 per month, for the second alternative, which is to upgrade the WWTF, the Company would receive \$88,324, resulting in an increase of \$82,443 or an increase of 1,401.85%.

1 **Q. PLEASE EXPLAIN EXHIBIT NO. 3 OF YOUR REPORT.**

2 A. Exhibit No. 3, on page 3, summarizes the effect of the proposed rates and
3 charges on a customer's monthly sewer bill. The requested increase in a
4 customer's sewer bill for the first alternative will be \$67.97 or 457.71%. The
5 requested increase in a customer's sewer bill for the second alternative will
6 be \$208.20 of 1,402.02%. The current monthly charge is \$14.85.

7 **Q. PLEASE EXPLAIN EXHIBIT NO. 4 OF YOUR REPORT.**

8 A. Exhibit No. 4, on pages 4 through 7, is a review of service provided by the
9 Company, the Business Office Compliance Review Report and a review of the
10 sewer plant inspection.

11 **Q. PLEASE EXPLAIN EXHIBIT NO. 5 OF YOUR REPORT.**

12 A. Shown on Exhibit No. 5, on page 8, are various revenue requirements along
13 with the applicable monthly sewer service rates that would be required to
14 produce that revenue. The respective range of alternative operating margins
15 for 0.00% and 5.00% are shown for Audit Exhibit A (which shows the
16 operating experience and operating margin **excluding** the projected
17 interconnection expenses). Staff has not shown any alternative operating
18 margins for Audit Exhibit B (which shows the operating experience and
19 operating margin **including** projected interconnection expenses) due to the
20 full increase resulting in a negative operating margin, i.e. to get to a 0.00%
21 operating margin would require an increase greater than the requested and
22 noticed rates of \$82.82. The respective range of alternative operating
23 margins for 0.00%, 5.00%, 10.00%, and 15.00% are shown for Audit Exhibit
24 C (which shows the operating experience and operating margin including new
25 WWTF expenses). The Audit Department calculated the revenue requirement
26 for the alternative operating margins. The Utilities Department calculated the
27 alternate rates that would produce the revenue requirement.

28 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

29 A. Yes it does.
30